

## Message Text

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PAGE 01 BUDAPE 04196 151714Z  
ACTION TRSE-00

INFO OCT-01 EUR-12 ISO-00 L-03 EB-07 SS-15 NSC-05 H-01  
COME-00 OMB-01 SP-02 SEC-01 CIAE-00 INR-07 NSAE-00  
SSO-00 NSCE-00 INRE-00 /055 W  
----- 013128 /41

O 151553Z

FM AMEMBASSY BUDAPEST  
TO SECSTATE WASHDC IMMEDIATE 7545

C O N F I D E N T I A L BUDAPEST 4196

E.O. 11652: GDS  
TAGS: EFIN, HU  
SUBJECT: WORLD WAR I FLOUR DEBT: STATE OF PLAY  
CONFIDENTIAL BUDAPEST 4196

REF: (A) STATE 302703, (B) BUDAPEST 4175, (C) BUDAPEST 4180

1. HUNGARIAN MINISTRY OF FINANCE OFFICIAL MORNING OF  
DECEMBER 15 INFORMED EMBASSY THAT GOH STILL SEEKING  
APPROVAL AT HIGHEST LEVEL TO BRING WORLD WAR I FLOUR DEBT  
MATTER TO SPEEDY CONCLUSION. LATER IN MORNING CHARGE  
(ACCOMPANIED BY WARREN ZIMMERMAN, EUR) DISCUSSED MATTER  
BRIEFLY WITH AMBASSADOR BARTHA, DIRECTOR OF DEPT V OF MFA. BARTHA  
ASKED FOR PATIENCE AND INDICATED THAT GOH WAS DOING ALL  
IT COULD TO FINALIZE MATTER BUT THAT SLIPPAGE OF FEW  
DAYS WAS LIKELY.

2. BARTHA RAISED ONE PROBLEM WITH PROPOSED USG NOTE.  
PARAGRAPH BEGINNING QTE THE RESTRICTIONS OF THE JOHNSON  
ACT WILL CONTINUE TO BE INAILICABLE... UNQTE  
(REF C, PARA 1F) IS UNNECESSARY, SAID BARTHA. BOTH  
HUNGARY AND THE UNITED STATES KNOW THAT THE JOHNSON  
ACT WILL IMMEDIATELY APPLY AGAIN TO HUNGARY IF IT IS  
IN DEFAULT ON ITS PAYMENTS TO THE USG. TO SPELL THIS  
OUT IN DIPLOMATIC NOTE WOULD MAKE IT MUCH MORE DIFFICULT  
TO SELL PROPOSAL TO TOP GOH LEADERSHIP (READ SZEKER) AND COULD  
EASILY BE INTERPRETED AS UNNECESSARY AND EVEN SOMEWHAT INSULTING.

3. CHARGE REPLIED THAT HE UNDERSTOOD GOH PROBLEM WITH  
THIS LANGUAGE BUT WOULD HAVE TO ASCERTAIN FROM DEPARTMENT  
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WHETHER IT COULD BE DROPPED.

4. AKARS

ISCUSSED MATTER WITH ECONOFF LATE AFTERNOON  
DECEMBER 15 AND STATED THAT:

A. HIGHEST LEVEL GOH APPROVAL NOT YET OBTAINED BUT AKAR  
AND MFA ACTIVELY PURSUING MATTER.

B. IT WILL BE IMPOSSIBLE TO EXCHANGE DIPLOMATIC  
NOTES ON DECEMBER 15, AND AKAR INQUIRED AS TO MODALITIES  
FOR AFFECTING SETTLEMENT IF ARRANGEMENTS COMPLETED  
DECEMBER 17 OR DECEMBER 20. GOH WILLING TO LET STAND  
LANGUAGE IN USG NOTE THAT GOH WILL SIGN AND DELIVER  
ON DECEMBER 15, 1976, APPROPRIATE NOTE  
(REF C, PARA 1B). IT MIGHT BE BETTER, HOWEVER, TO  
CHANGE WORDING SO THAT ALL UNDERSTAND SETTLEMENT IS  
EFFECTIVE AS OF DECEMBER 15 ALTHOUGH DIPLOMATIC NOTES  
EXCHANGED 3-5 DAYS LATER.

C. AKAR REITERATED PROBLEM WITH LANGUAGE CONCERNING  
FUTURE APPLICABILITY OF JOHNSON ACT WITH BARTHA HAD  
MENTIONED TO CHARGE.

D. ACCORDING TO GOH, ANNEX TO UEP NOTE DOES  
NOT CONTAIN PAYMENTS DUE UNDER AGREEMENT ON MAY 27,  
1932, SINCE BONDS 63, 64 AND 65 WERE REFUNDED BEFORE  
HOOVER MORATORIUM. THUS, REFERENCE TO MAY 27, 1932,  
(REF C, PARA 1G) SHOULD BE DELETED.

5. INDICATIONS ARE STRONGER THAN EVER THAT AGREE-  
MENT WILL BE REACHED WITHIN A FEW DAYS.  
PRIMARILY,  
QUESTIONS CONCERN MINOR LANGUAGE PROBLEMS WITH USG

NOTE AND MODALITIES FOR EXCHANGING NOTES DECEMBER 17  
OR DECEMBER 20, REFLECTING AGREEMENT THAT SETTLEMENT  
TO BE EFFECTIVE AS OF DECEMBER 15.

6. ACTION REQUESTED: DEPARTMENT INSTRUCTIONS  
REGARDING POINTS RAISED PRECEDING PARAGRAPH  
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BY IMMEDIATE CABLE. NIACT IMMEDIATE NOT NECESSARY.  
MUDD

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NNN

\*\*\* Current Handling Restrictions \*\*\* n/a

\*\*\* Current Classification \*\*\* CONFIDENTIAL

## Message Attributes

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